

Message Text

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ACTION EUR-25

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C O N F I D E N T I A L WARSAW 2416

EO 11652: GDS

TAGS: ESTC, ETRD, PFOR,US, PL

SUBJECT: EXPORT CONTROL: FAIRCHILD CASE

REF: STATE 78199

FOR WHITE HOUSE: CIEP: FLANAGAN FROM AMBASSADOR

1. SUMMARY: WE UNDERSTAND THAT THE INTERAGENCY OPERATING COMMITTEE HAS RECENTLY VOTED NEGATIVELY ON THE FAIRCHILD CASE, POSSIBLE ON BASIS OF INCOMPLETE INFORMATION AND WITHOUT ALL MEMBERS VOTING. WE BELIEVE THAT AN ANNOUNCEMENT OF US DENIAL WILL HAVE SERIOUS REPERCUSSIONS DETRIMENTAL TO US COMMERCIAL AND FOREIGN-POLICY INTERESTS IN POLAND. WE RECOMMEND STRONGLY THAT THE USG REVIEW THE FAIRCHILD-UNITRA CONTRACT AND DEVISE-- INSTEAD OF A FLAT DENIAL OF THE EXPORT-LICENSE APPLICATION-- A SOLUTION WHERE BY THOSE PORTIONS OF THE CONTRACT WHICH DEAL ESSENTIALLY WITH ASSEMBLY OPERATIONS COULD BE APPROVED, TOGETHER WITH WHATEVER ADDITIONAL TECHNOLOGY AND EQUIPMENT CAN BE EXPORTED CONSONANT WITH NATIONAL-SECURITY CONSIDERATIONS. PERHAPS IT COULD BE AGREED WITH THE POLES TO RESERVE FINAL DECISIONS ON OTHER PORTIONS OF THE EXISTING CONTRACT FOR FUTURE CONSIDERATION. BECAUSE OF THE EFFECT WHICH A FLAT DENIAL OF THIS CASE IS CERTAIN TO HAVE, WE FAVOR THE PROPOSED ALTERNATIVE EVEN IF THE CONTRACT IS REDUCED

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TO THE EXPORT OF WHAT IS ESSENTIALLY ASSEMBLY RATHER THAN

PRODUCTION TECHNOLOGY. END SUMMARY.

2. THE FAIRCHILD-UNITRA CONTRACT HAS BEEN A MATTER OF IMPORTANCE TO THE HIGHEST LEVELS IN THE PARTY AND GOVERNMENT HERE. FIRST SECRETARY GIEREK, PRIME MINISTER JAROSZEWICZ, MINISTER OF THE MACHINE INDUSTRY WRZASZCZYK, AND OTHERS HAVE RAISED THE QUESTION WITH VISITING U.S. GOVERNMENT REPRESENTATIVES ON SEVERAL OCCASIONS DURING THE PAST YEAR. A SIMPLE DENIAL OF AN EXPORT LICENSE TO FAIRCHILD MIGHT HAVE THE FOLLOWING EFFECTS:

(A) A DENIAL MIGHT WELL BE VIEWED BY THE POLISH LEADERSHIP AS A REVERSAL OF USG POLICY ON EAST-WEST TRADE. SUCH A REACTION IS ESPECIALLY LIKELY IN VIEW OF THE DEBATES NOW TAKING PLACE IN THE UNITED STATES ON THE TRADE REFORM BILL AND ON THE ACTIVITIES OF THE EXPORT-IMPORT BANK IN THE USSR AND EASTERN EUROPE.

(B) A NEGATIVE DECISION COULD DISCOURAGE POLAND FROM SEEKING TRADE PARTNERS IN THE UNITED STATES, PARTICULARLY IN THE ELECTRONICS INDUSTRY. CONTRARY TO THE OPINION WHICH WE UNDERSTAND HAS BEEN EXPRESSED BY THE DEPARTMENT OF COMMERCE IN THE OPERATING COMMITTEE, WE BELIEVE THAT A FLAT DENIAL OF THIS LICENSE WILL SHUT THE POLISH MARKET, AND PERHAPS THE EAST EUROPEAN MARKET AS WELL, TO AMERICAN EXPORTERS OF ELECTRONIC EQUIPMENT. IN THIS CONNECTION, UNITRA MANAGEMENT OFFICIALS RECENTLY TOLD US OF TENTATIVE POLISH PLANS TO OPEN A PURCHASING OFFICE IN THE UNITED STATES FOR ELECTRONIC EQUIPMENT AND SCIENTIFIC AND INDUSTRIAL INSTRUMENTATION AND CONTROLS. THE ESTABLISHMENT OF SUCH AN OFFICE, UNITRA OFFICIALS SIAD, COULD MEAN AN ADDITIONAL \$20 MILLION ANNUALLY OF POLISH PURCHASES IN THE UNITED STATES.

3. IT IS OUR BELIEF THAT POLAND IS COMMITTED TO THE DEVELOPMENT OF A MODERN SEMICONDUCTOR INDUSTRY BASED ON IMPORTED TECHNOLOGY. DENIAL OF THE FAIRCHILD LICENSE WOULD IMPEL THE POLES TOWARD OTHER, NON-US., SOURCES OF THIS TECHNOLOGY. AS WE HAVE REPORTED EARLIER, THE POLES HAVE BEEN TALKING WITH AT LEAST THE FRENCH AND

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THE JAPANESE ABOUT SIMILAR TECHNOLOGY AND, IN THE CASE OF THE FRENCH, HAVE RECEIVED ASSURANCES THAT IT COULD BE PROVIDED.

4. APPROVAL OF PORTIONS OF THE FAIRCHILD CONTRACT, WITH THE EXCLUSION OF SO-CALLED "FRONT-END" TECHNOLOGY, WOULD PRESERVE ACCESS TO THE MARKET FOR AMERICAN COMPANIES, AND WOULD, WE BELIEVE, BE ACCEPTABLE, ALTHOUGH CERTAINLY NOT

WHOLLY SATISFACTORY, TO THE POLES. RESERVATION OF
DECISION ON OTHER PORTIONS OF THE CONTRACT WOULD BE A SIGN
TO POLAND THAT THE USG CONTINUES TO FAVOR THE EXPANSION
OF US-POLISH TRADE CONCOMITANT WITH THE INTERESTS OF OUR
NATIONAL SECURITY.

5. THE NEED FOR COCOM APPROVAL OF ANY TRANSACTION IN THIS
AREA WILL IN ANY CASE POSTPONE THE EXPORT OF TECHNOLOGY,
PERHAPS WELL INTO 1975, AND IT IS UNLIKELY THAT ANY
PRODUCTION OR ASSEMBLY UNDER THIS CONTRACT COULD BEGIN
IN POLAND UNTIL LATE 1976 OR EARLY 1977. THIS WOULD
PROVIDE ADDITIONAL TIME FOR REVIEW OF STRATEGIC CONSIDERA-
TIONS IN THE LIGHT OF CHANGING CONDITIONS.

6. THE FAIRCHILD-UNITRA CONTRACT EXPIRED MAY 1, 1974.
IN A DISCUSSION ON APRIL 30 WITH AN EMBASSY OFFICER AND
A REPRESENTATIVE OF THE BUREAU OF EAST-WEST TRADE, TADEUSZ
KAMINSKI, GENERAL DIRECTOR OF UNITRA, AND ZDZISLAW
PRZYCHODZIEN, COUNSELLOR TO THE MINISTER OF THE MACHINE
INDUSTRY, SAID THEY WOULD TAKE NO ACTION TO AFFIRM THE
EXPIRATION OF THE CONTRACT OR TO EXTEND THE CONTRACT UNTIL
FURTHER DISCUSSIONS BETWEEN UNITRA AND FAIRCHILD HAVE BEEN
HELD. THESE DISCUSSIONS ARE NOT EXPECTED TO TA
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